

**AURWEST RESOURCES CORPORATION**

**Interim Financial Statements**

**For the three months ended March 31, 2022**

**(Expressed in Canadian Dollars)  
(Unaudited – Prepared by Management)**

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**NOTICE OF NO AUDITOR REVIEW OF THE  
CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company for the three ended March 31, 2022 and 2021 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

**AURWEST RESOURCES CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
As at March 31, 2022 and December 31, 2021  
(expresses in Canadian dollars)  
(Unaudited – Prepared by Management)

	Notes	March 31, 2022	December 31, 2021
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,552,532	2,216,782
Goods and services tax receivable		227,310	157,834
Prepays		-	3,920
Total current assets		1,779,842	2,378,536
<b>Exploration and evaluation assets</b>	4	4,042,376	3,476,983
<b>Exploration advances</b>		325,509	355,269
<b>TOTAL ASSETS</b>		6,147,727	6,210,788
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		80,148	89,405
Due to related parties	7	185,915	185,320
Total current liabilities		266,063	274,725
<b>Flow-through share premium liability</b>	11	3,054	97,126
		269,117	257,484
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	9,906,396	9,950,523
Shares to be cancelled	5	-	(135,270)
Reserves	6	1,352,657	1,112,764
Deficit		(5,380,443)	(5,089,080)
		5,878,610	5,838,937
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		6,147,727	6,210,788

**Nature of operations (Note 1)**

**Subsequent events (Note 12)**

Approved on behalf of the Board of Directors by:

*Signed "Colin Christensen"*

Director

*Signed "Brian Prokop"*

Director

*The accompanying notes are an integral part of these financial statements.*

**AURWEST RESOURCES CORPORATION**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
For the three months ended March 31, 2022 and 2021  
(expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	Notes	Three months ending March 31, 2022	Three months ending March 31, 2021
		\$	\$
<b>EXPENSES</b>			
Consulting fees	7	84,000	49,140
Property investigation		-	28,700
Exploration and evaluation expenditures		8,828	-
Interest expense		-	278
Marketing & investor relations		18,560	10,328
Office and general		17,208	6,850
Professional fees		7,166	8,545
Regulatory and filing		7,280	10,525
Share-based compensation	6,7	242,393	353,080
		<b>(385,435)</b>	<b>(467,446)</b>
<b>Recovery of flow-through premium</b>		<b>94,072</b>	<b>-</b>
<b>LOSS AND COMPREHENSIVE LOSS</b>		<b>(291,363)</b>	<b>(467,446)</b>
<b>Basic and diluted loss per common share</b>		<b>(\$0.00)</b>	<b>(\$0.01)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>		<b>97,874,271</b>	<b>59,893,590</b>

*The accompanying notes are an integral part of these financial statements.*

**AURWEST RESOURCES CORPORATION**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the three months ended March 31, 2022 and 2021  
(expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	Share Capital		\$ Shares to be cancelled	Reserves		\$ Deficit	\$ Total
	Number of Shares	\$ Amount		\$ Options	\$ Warrants		
<b>Balance, December 31, 2020</b>	<b>59,503,131</b>	<b>5,056,632</b>	-	<b>405,722</b>	<b>120,534</b>	<b>(4,384,990)</b>	<b>1,197,898</b>
Shares issued for services	78,395	7,288	-	-	-	-	7,288
Units issued for property acquisition	2,600,000	297,000	-	-	-	-	297,000
Flow-through private placements	12,760,589	2,296,906	-	-	-	-	2,296,906
Flow-through liability premium	-	(382,818)	-	-	-	-	(382,818)
Non-flow-through private placements	20,088,518	3,013,278	-	-	-	-	3,013,278
Share issue costs in cash	-	(384,546)	-	-	-	-	(384,546)
Warrants issued for finders' fees	-	(321,790)	-	-	321,790	-	-
Exercise of options	1,250,000	75,286	-	(34,036)	-	-	41,250
Exercise of warrants	2,288,000	325,825	-	-	(40,775)	-	285,050
Share-based compensation	-	-	-	339,529	-	-	339,529
Shares cancelled (normal course issuer bid)	(218,500)	(32,538)	-	-	-	-	(32,538)
Shares to be cancelled (normal course issuer bid)	-	-	(135,270)	-	-	-	(135,270)
Loss for the year	-	-	-	-	-	(704,090)	(704,090)
<b>Balance, December 31, 2021</b>	<b>98,350,133</b>	<b>9,950,523</b>	<b>(135,270)</b>	<b>711,215</b>	<b>401,549</b>	<b>(5,089,080)</b>	<b>5,838,937</b>
Exercise of common share purchase warrants	1,150,000	115,000	-	-	-	-	115,000
Exercise of agent warrants	50,000	7,500	-	-	(2,500)	-	5,000
Share-based compensation	-	-	-	242,393	-	-	242,393
Shares cancelled (normal course issuer bid)	(1,503,500)	(166,627)	135,270	-	-	-	(31,509)
Loss for the period	-	-	-	-	-	(291,363)	(291,363)
<b>Balance, March 31, 2022</b>	<b>98,046,633</b>	<b>9,906,396</b>	-	<b>953,608</b>	<b>399,049</b>	<b>(5,380,443)</b>	<b>5,878,610</b>

*The accompanying notes are an integral part of these financial statements.*

**AURWEST RESOURCES CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
For the three months ended March 31, 2022 and 2021  
(expressed in Canadian dollars)  
(Unaudited – Prepared by Management)

	Notes	Three months ended March 31, 2022	Three months ended March 31, 2021
		\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>			
Loss for the period		(291,363)	(467,446)
Items not involving cash:			
Interest expense		-	278
Share-based compensation	6,7	242,393	353,080
Shares issued for services		-	5,288
Recovery of flow-through premium	11	(94,072)	-
Changes in non-cash working capital items:			
Prepays		3,920	-
Goods and services tax receivable		(69,476)	3,893
Accounts payable and accrued liabilities		(9,257)	(44,447)
Due to related parties	7	(595)	(5,805)
Net cash used in operating activities		(217,260)	(155,159)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Exploration advances		29,761	-
Exploration and evaluation expenditures	4	(565,393)	(22,632)
Net cash used in investing activities		(535,632)	(22,632)
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>			
Proceeds from exercise of options		-	41,251
Proceeds from exercise of warrants		120,000	-
Shares repurchased under normal course issuer bid	5	(31,358)	-
Net cash provided by financing activities		88,642	41,251
<b>Change in cash and cash equivalents</b>		<b>(664,250)</b>	<b>(136,540)</b>
<b>Cash and cash equivalents, beginning of the period</b>		<b>2,216,782</b>	<b>1,089,952</b>
<b>Cash and cash equivalents, end of the period</b>		<b>1,552,532</b>	<b>953,412</b>

*The accompanying notes are an integral part of these financial statements.*

# AURWEST RESOURCES CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

(expressed in Canadian dollars)

(Unaudited – Prepared by Management)

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### 1. NATURE OF OPERATIONS

Aurwest Resources Corporation (the “Company” or “Aurwest”) was incorporated pursuant to the provisions of the Business Corporations Act (British Columbia) on April 17, 2008 and has been a reporting issuer in British Columbia, Alberta and Ontario, and whose shares have traded on the Canadian Securities Exchange since November 10, 2010 under stock symbol SRS. The Company’s registered and records office and corporate office address is Suite 650, 340 – 12<sup>th</sup> Avenue SW, Calgary, Alberta Canada T2R 1L5. On January 7, 2020, the Company completed a share consolidation on the basis of 4 old shares for 1 new share. The share consolidation has been retroactively presented in these financial statements and all share amounts, including per share amounts, reflect the share consolidation. The Company also changed its name to Aurwest Resources Corporation and on January 8, 2020, commenced trading under the stock symbol “AWR”.

On January 14, 2021, the Company changed its year end from May 31 to December 31. These financial statements reflect the three months ended March 31, 2022 and 2021.

The Company is pursuing the acquisition, exploration and evaluation of mineral properties. At March 31, 2022, it had two 100% owned adjacent properties in British Columbia, being the Stellar Project and Stars Project. The Company also entered into option agreements to earn a 100% interest in the Paradise Lake, Miguels Lake and Stony Caldera properties in Newfoundland. The Company is in the process of exploring its mineral property interests and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral properties in accordance with industry practice, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production.

### 2. BASIS OF PRESENTATION

#### Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) including International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Since these condensed interim financial statements do not include all disclosures required by IFRS for annual financial statements, they should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2021.

These condensed interim financial statements were authorized for issue by the Board of Directors on May 30, 2022.

#### Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared, except for cash flow information, using the accrual basis of accounting. Unless otherwise noted, these financial statements are presented in Canadian dollars, the functional currency of the Company.

#### Going concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation in the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. As at March 31, 2022, the Company had not yet achieved profitable operations, incurred a loss of \$291,211 (2021 - \$467,446), had a working capital of \$1,513,780 (December 31, 2021 - \$2,103,811) and a deficit of \$5,380,291 (December 31, 2021 - \$5,089,080) since inception and expects to incur further losses in the development of its business. The current challenging economic climate brought about by factors including the Coronavirus (“COVID-19”) may lead to

## AURWEST RESOURCES CORPORATION

### NOTES TO THE FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

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adverse financing conditions, working capital levels and/or debt balances, which may also have an effect on the Company's operating results and financial position. These circumstances comprise a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. The COVID-19 outbreak has resulted in social and economic disruption and had a resultant impact on the mining and exploration industries and capital markets. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19. However, the duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time and could have a material impact on the Company's future financial position, results of operation and cash flows. The Company's liquidity and ability to continue as a going concern may also be impacted.

#### **Critical accounting estimates and judgements**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

#### **Judgements**

##### *Exploration and evaluation expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

##### *Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

##### *Going concern*

The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year.

#### **Estimates**

##### *Share-based compensation and fair value of brokers' warrants*



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The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value of share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models use for estimating fair value for share-based payment transactions are disclosed in Note 6.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**New accounting standards and interpretations issued but not yet adopted**

IAS 16 – Property, plant and equipment – Proceeds before intended use (“IAS 16”) has been amended to clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant or equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. These amendments are effective for periods beginning on or after January 1, 2022. The Company is currently assessing the impact of this amendment.

IAS 37–Provisions (“IAS 37”), has been amended to clarify (i) the meaning of “costs to fulfil a contract”, and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. These amendments are effective for periods beginning on or after January 1, 2022. The Company is currently assessing the impact of this amendment.

IAS 1 –Presentation of Financial Statements (“IAS 1”), has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023. The Company is currently assessing the impact of this amendment.

**4. EXPLORATION AND EVALUATION ASSETS**

	<b>Stellar</b>	<b>Stars</b>	<b>Paradise Lake</b>	<b>Miguels Lake</b>	<b>Stony</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, December 31, 2021	1,004,562	954,530	758,132	211,852	547,907	3,476,983
Claims	-	-	662	-	-	662
Field costs	353	-	18,130	-	-	18,483
Geology	10,008	-	65,454	-	-	75,462
Assay	348	-	9,055	1,966	34,125	45,493
Reports	123	-	-	-	-	123
Drilling	-	-	423,993	-	-	423,993
Sampling	1,000	-	-	-	-	1,000
Travel	-	-	176	-	-	176
Expenditures during the year	11,832	-	517,471	1,966	34,125	565,393
<b>Balance, March 31, 2022</b>	<b>1,016,394</b>	<b>954,530</b>	<b>1,275,603</b>	<b>213,818</b>	<b>582,032</b>	<b>4,042,376</b>

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	<b>Stellar</b>	<b>Stars</b>	<b>Paradise Lake</b>	<b>Miguels Lake</b>	<b>Stony</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, December 31, 2020	263,197	-	77,744	8,500	-	349,441
Acquisition costs - cash	10,500	800,000	50,000	5,000	175,000	1,040,500
Acquisition costs - shares	-	150,000	60,000	12,000	75,000	297,000
Administration	-	360	-	-	-	360
Claims	4,061	-	-	-	-	4,061
Field costs	203,669	-	92,663	22,542	44,487	363,361
Geology	116,440	4,170	153,711	55,429	75,850	405,600
Helicopter	174,495	-	11,662	4,029	5,513	195,699
IP Survey	130,084	-	213,275	72,744	33,341	449,444
Airborne Survey	53,700	-	-	-	-	53,700
Assay	34,450	-	21,395	4,824	6,602	67,271
Reports	4,386	-	-	-	-	4,386
Sampling	6,000	-	77,533	26,784	132,114	242,431
Travel	3,580	-	149	-	-	3,729
Expenditures during the year	741,365	954,530	680,388	203,352	547,907	3,127,542
<b>Balance, December 31, 2021</b>	<b>1,004,562</b>	<b>954,530</b>	<b>758,132</b>	<b>211,852</b>	<b>547,907</b>	<b>3,476,983</b>

**Paradise Lake Project, Newfoundland**

On November 6, 2020, the Company entered into an option agreement with Tenacity Gold Mining Company Ltd., to acquire a 100% interest in 824 claims on the Paradise Lake property located in Newfoundland, Canada.

To earn the 100% interest in the property, the Company is required to make cash payments of \$400,000 and issue 5,000,000 units over the course of four years. Each unit will consist of one common share and one-half share purchase warrant. Each whole warrant is exercisable for a period of three years at a price equal to a 10% premium to the closing price of the common shares on the Canadian Stock Exchange (“CSE”) on the day prior to the date of issuance. The consideration will be paid as follows:

- \$50,000 cash and 300,000 units on November 20, 2020 (paid and issued (Note 6));
- \$50,000 cash and 500,000 units on or before November 20, 2021 (paid and issued (Note 6));
- \$75,000 cash and 700,000 units on or before November 20, 2022;
- \$100,000 cash and 1,500,000 units on or before November 20, 2023; and
- \$125,000 cash and 2,000,000 units on or before November 20, 2024.

In addition, the Company is required to incur \$4,000,000 in exploration expenditures on the property over the next four years as follows:

- \$400,000 on or before November 20, 2021 (criteria met);
- \$750,000 on or before November 20, 2022;
- \$1,275,000 on or before November 20, 2023; and
- \$1,575,000 on or before November 20, 2024.

Tenacity Gold Mining Company will retain a 3% net smelter returns royalty (“NSR”) on the property.

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**Miguels Lake, Newfoundland**

On November 6, 2020, the Company entered into an option agreement with Tenacity Gold Mining Company Ltd. and Alexander Duffitt, to acquire a 100% interest in 120 claims on the Miguels Lake property located in Newfoundland, Canada.

To earn the 100% interest in the property, the Company is required to make cash payments of \$50,000 and issue 750,000 units over the course of four years. Each unit will consist of one common share and one-half share purchase warrant. Each whole warrant is exercisable for a period of three years at a price equal to a 10% premium to the closing price of the common shares on the CSE on the day prior to the date of issuance. The consideration will be paid as follows:

- \$5,000 cash and 50,000 units on November 20, 2020 (paid and issued (Note 6));
- \$5,000 cash and 100,000 units on or before November 20, 2021 (paid and issued (Note 6));
- \$8,000 cash and 150,000 units on or before November 20, 2022;
- \$12,000 cash and 200,000 units on or before November 20, 2023; and
- \$20,000 cash and 250,000 units on or before November 20, 2024

In addition, the Company is required to incur \$580,000 in exploration expenditures on the property over the next four years as follows:

- \$100,000 on or before November 20, 2021 (criteria met);
- \$120,000 on or before November 20, 2022;
- \$180,000 on or before November 20, 2023; and
- \$180,000 on or before November 20, 2024.

Tenacity Gold Mining Company will retain a 1% NSR and Alexander Duffitt a 2% NSR on the property.

**Stony Caldera Project, Newfoundland**

On April 19, 2021, the Company entered into an option agreement with Tenacity to earn 100% interest in a property, situated 20 kms south of Grand Falls in Central Newfoundland, and is contiguous with the Company's existing Paradise Lake gold project.

To earn the 100% interest in the property, the Company is required to:

- a. Reimburse Tenacity for its expenses of \$125,000 incurred during 2019 for an airborne geophysical survey and claims staking costs incurred in 2020 as follows:
  - \$75,000 cash plus 500,000 units through the issuance of 500,000 common shares and one half (1/2) warrant on or before May 3, 2021 (paid and issued (Note 6));
  - \$50,000 cash due on or before October 26, 2021 (paid).
- b. Make total payment of \$275,000 in cash and 4,250,000 units. Each unit consists of one common share and one half (1/2) warrant payable as follows:
  - \$50,000 cash and 275,000 units on or before April 26, 2022 (paid and issued (Note 12));
  - \$50,000 cash and 350,000 units on or before April 26, 2023;
  - \$75,000 cash and 1,250,000 units on or before April 26, 2024; and
  - \$100,000 cash and 1,875,000 units on or before April 26, 2025.

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c. Incur total exploration expenditures of \$1,600,000 during the option period as follows:

- No less than \$200,000 on or before October 26, 2021 (criteria met);
- No less than \$200,000 on or before April 26, 2022;
- No less than \$250,000 on or before April 26, 2023;
- No less than \$350,000 on or before April 26, 2024; and
- No less than \$600,000 on or before April 26, 2025.

Tenacity will retain a 3% NSR on the property of which the Company may repurchase 1% for \$1,000,000.

**Stellar Project, British Columbia**

On February 9, 2018, the Company entered into an option agreement to acquire a 100% interest in 4 mineral claims located on the Stellar Project in north central British Columbia. During the year end May 31, 2018, the Company acquired the 100% interest in the property for total consideration of 500,000 common shares (issued) and \$20,000 in cash payments (paid). The vendor retains a 2% NSR, and the Company has the option to buy out one-half of the NSR for \$1,000,000.

In August 2020, the Company purchased 2 additional mineral claims on the Stellar property for cash of \$7,000.

**Stars Project, British Columbia**

On September 23, 2021, the Company entered into mineral claims purchase and sale agreement with Pacific Empire Minerals Corp. to purchase its ownership of 50% interest in the Stars Property for cash of \$350,000. The Stars Property is adjacent to the Company's Stellar Project and consists of three mineral tenures located in the Omineca Mining District in British Columbia. Pacific Empire Minerals Corp. will retain a 2% NSR on the property which the Company has the right to repurchase at any time 1% for \$1,000,000.

On December 2, 2021, the Company entered into mineral claims purchase and sale agreement with M3 Metals Corp. to purchase the remaining 50% interest in the Stars Property for cash of \$450,000 and 1,500,000 common shares. M3 Metals will retain a 2% NSR on the property which the Company has the right to repurchase at any time 1% for \$1,000,000. The common shares were issued on December 10, 2021 and will be escrowed and released in equal quarterly tranches over the next twelve months (Note 6).

**5. NORMAL COURSE ISSUER BID ("NCIB")**

On September 30, 2021, the Company announced a normal course issuer bid to purchase up to 4,801,431 common shares through the facilities of the CSE. The provisions of the bid allow for a maximum of 5% of the total outstanding common shares of the Company to be purchased for cancellation during the period September 30, 2021 to September 30, 2022. Any common shares of the Company purchased pursuant thereto are to be cancelled. As at March 31, 2022, the Company has purchased 1,722,000 common shares for a total of \$199,165, all of these shares were returned to treasury for cancellation as at March 31, 2022.

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**6. SHARE CAPITAL**

**Authorized**

The Company is authorized to issue an unlimited number of commons shares without par value. As at March 31, 2022, 98,046,633 (December 31, 2021 – 98,350,133) common shares were issued and outstanding.

There were 1,125,000 common shares held in escrow (Note 4) at March 31, 2022 (December 31, 2021 – 1,500,000).

**Issued**

***For the three months ended March 31, 2022***

- a. On March 15, 2022, 1,150,000 common share purchase warrants and 50,000 agent warrants were exercised at \$0.10 per share.
- b. During the quarter ended March 31, 2022, 267,000 shares were purchased under the NCIB and 1,503,500 shares were returned to treasury for cancellation.

***For the year ended December 31, 2021***

- a. On December 10, 2021, the Company issued 1,500,000 common shares with a fair value of \$150,000 as acquisition costs pursuant to the option agreement for the Stars Property.
- b. On November 22, 2021, pursuant to the acquisition agreement on the Paradise Lake and Miguels Lake property, the Company, issued a total of 600,000 Units at a fair value of \$0.12 per Unit. Each unit consisted of one share and one-half share purchase warrant. Each whole warrant can be exercised into a common share of the Company at \$0.121 per share on or before November 24, 2024. The fair value of the acquisition costs recorded was \$72,000.
- c. On June 15, 2021, the Company closed a flow-through and non-flow through financing for total gross proceeds of \$5,310,184. In connection with the financings, the Company paid share issuance costs of \$384,546 and issued 2,204,966 agent warrants. A breakdown of the equity instruments is as follows:
  - i. The Company issued 12,760,589 flow-through units at \$0.18 per unit. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable at \$0.24 per share for a period of 2 years. A value of \$382,818 was attributed to the flow-through premium liability in connection with the flow-through shares (Note 14).
  - ii. The Company issued 20,088,518 non-flow through units at \$0.15 per unit. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable at \$0.20 per share for a period of 2 years.
  - iii. The Company issued 842,149 agents' warrants exercisable at \$0.24 per share and 1,362,817 agents' warrants exercisable at \$0.20 per share as part of the finders' fee. The agents' warrants have a fair value of \$321,790.
- d. On May 6, 2021, the Company issued 500,000 common shares at \$0.15 per share for the acquisition for the Stony Caldera property (Note 4).
- e. On April 27, 2021, the Company issued 16,000 common shares at \$0.125 per share for service to an officer of the Company.
- f. On January 6 and February 12, 2021, the Company issued 62,395 common shares for services pursuant to a General Services Agreement of November 1, 2020 for services provided at a fair value of \$5,288.

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- g. During the year ended December 31, 2021, 1,250,000 stock options with exercise prices between \$0.03 and \$0.07 were exercised into common shares for total proceeds of \$41,250. The Company reclassified a total of \$34,036 from reserves to share capital on the transactions.
- h. During the year ended December 31, 2021, 2,288,000 warrants with exercise prices between \$0.10 and \$0.16 were exercised into common shares for total proceeds of \$285,000. The Company reclassified a total of \$40,775 from reserves to share capital on the transactions.

**Stock Options**

**Stock Option Plan**

The Company has a stock option plan in place. Under the stock option plan the Company can issue up to 10% of the issued and outstanding shares as incentive stock options to directors, officers, insiders, employees and other service providers to the Company. The stock option plan limits the number of incentive stock options which may be granted to any one individual to not more than 5% of the total issued shares of the Company in any 12-month period. The number of incentive stock options granted to any one consultant or a person employed to provide investor relations activities in any 12-month period must not exceed 2% of the total issued shares of the Company. The options granted under the stock option plan can vest immediately or subject to the vesting schedule wherein 25% of the options will vest on the day which is 3 months from the day of grant and 25% of the options will vest every 3 months thereafter for a period of 12 months after the day of grant.

On January 10, 2022, the Company granted 2,365,000 options to certain directors, officers, employees and consultants at an exercise price of \$0.13 for 2 years. All stock options are recorded at fair value using the Black-Scholes option pricing model. During the three months ended March 31, 2022, the Company granted 2,365,000 (2021 – 2,800,000) stock options to members of management directors, officers, employees and a consultant. The options were fully vested on the grant date. Share-based compensation of \$242,393 (2020 - \$339,529) was recognized in the statement of loss and comprehensive loss.

The following weighted average assumptions were used for the valuation of share-based compensation:

	<b>March 31, 2022</b>	December 31, 2021
Risk free rate	<b>1.08%</b>	0.23%
Expected life – years	<b>2.0</b>	2.0
Estimated forfeiture rate	<b>0%</b>	0%
Dividend yield	<b>0%</b>	0%
Volatility	<b>176.21%</b>	232.73%
Weighted average fair value per option	<b>\$0.10</b>	\$0.12

Summary of stock option activities for the three-month period ended March 31, 2022:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2020	2,775,000	0.04
Exercised	(1,250,000)	0.03
Cancelled	(200,000)	0.14
Granted	2,800,000	0.14
Balance, December 31, 2021	4,125,000	0.10
Granted	2,362,500	0.13
<b>Balance, March 31, 2022</b>	<b>6,487,500</b>	<b>\$0.11</b>

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As at March 31, 2022, the following stock options were outstanding and exercisable:

Expiry Date	Number of Options	Exercise Price	Weighted-Average Remaining Contractual Life of Outstanding Options
February 15, 2023	75,000	\$0.24	0.88
June 10, 2022	1,200,000	\$0.025	0.17
November 10, 2022	250,000	\$0.065	0.61
March 25, 2023	2,600,000	\$0.14	0.98
January 10, 2024	2,362,500	\$0.13	1.78
	<b>6,487,500</b>	<b>\$0.11</b>	<b>1.11</b>

**Agent's Warrants**

During the three months ended March 31, 2022, no agent's warrants were issued and 50,000 agent warrants were exercised at \$0.10 per share.

The following is summary of agent's warrant activities for the three-month period ended March 31, 2022 and twelve month period ended December 31, 2021:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2020	2,154,725	0.10
Issued	2,204,966	0.22
Exercised	(440,500)	0.10
Expired	(10,625)	0.20
Balance, December 31, 2021	3,908,566	\$0.17
Exercised	(50,000)	0.10
<b>Balance, March 31, 2022</b>	<b>3,858,566</b>	<b>\$0.17</b>

Summary of agent's warrants outstanding as at March 31, 2022:

Expiry Date	Number of Agent Warrants	Exercise Price	Weighted-Average Remaining Contractual Life of Outstanding Agent Warrants (Years)
September 15, 2023	1,002,600	\$0.15*	1.46
October 1, 2023	651,000	\$0.10*	1.50
June 15, 2023	842,149	\$0.24	1.21
June 15, 2023	1,362,817	\$0.20	1.21
	<b>3,858,566</b>	<b>\$0.17</b>	<b>1.32</b>

\*Each agent warrant is exercisable into one common share at a price of \$0.10 for the first 18 months and \$0.15 if exercised any time after 18 months from the initial date of grant but no later than 36 months from the date of grant.

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**Common Share Purchase Warrants**

During the three months ended March 31, 2022, no common share purchase warrants were issued and 1,150,000 common share purchase warrants were exercised at \$0.10 per share. The following is a summary of share purchase warrant activity for the three-month period ended March 31, 2022 and twelve months ended December 31, 2021:

	Number of Share Purchase Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2020	30,768,007	0.10
Issued	33,399,107	0.21
Exercised	(1,847,500)	0.13
Expired	(405,407)	0.18
Balance, December 31, 2021	61,914,207	0.16
Exercised	(1,150,000)	0.10
<b>Balance, March 31, 2022</b>	<b>60,764,207</b>	<b>\$0.16</b>

Summary of share purchase warrants outstanding as at March 31, 2022:

Expiry date	Number of Share Purchase Warrants	Exercise Price	Weighted-Average Remaining Contractual Life of Outstanding Options
September 15, 2023	19,829,100	\$0.15*	1.46
October 1, 2023	7,361,000	\$0.10*	1.50
November 27, 2023	175,000	\$0.08	1.66
May 6, 2024	250,000	\$0.20	2.07
June 15, 2023	12,760,589	\$0.24	1.21
June 15, 2023	20,088,518	\$0.20	1.21
November 22, 2024	300,000	\$0.121	2.65
	<b>60,764,207</b>	<b>\$0.16</b>	<b>1.34</b>

\*Each share purchase warrant is exercisable into one common share at a price of \$0.10 for the first 18 months and \$0.15 if exercised any time after 18 months from the initial date of grant but no later than 36 months from the date of grant. The Company has the right to force conversion if the share price exceeds \$0.20 for ten consecutive trading days.



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**7. RELATED PARTY TRANSACTIONS**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

The aggregate values of transactions relating to key management personnel were as follows:

	<b>Three months ended March 31, 2022</b>	Three months ended March 31, 2021
	\$	\$
Consulting fees paid or accrued to officers and directors or companies controlled by directors and officers	<b>75,000</b>	33,575
Consulting fees paid or accrued to a company controlled by former officer and director	-	11,140
Exploration expenses paid or accrued to a former director	<b>8,828</b>	3,038
Stock-based compensation –directors and officers	<b>180,833</b>	296,335
<b>Total fees and other short-term benefits</b>	<b>264,660</b>	344,088

As at March 31, 2022, due to related parties consisted of \$185,915 (December 31, 2021 - \$185,320) owing to former key management personnel, directors or to companies controlled by a former director or by key management personnel. The amounts are non-interest bearing, unsecured, and have no specific terms of repayment.

As of March 31, 2022, there were two executive employment agreement contracts for two directors and officers for an annual salary of \$120,000 each.

**8. CAPITAL MANAGEMENT**

The Company's primary source of funds comes from the issuance of share capital. The Company defines its capital as all components of shareholders' equity. Capital requirements are driven by the Company's planned exploration and evaluation activities and general and administrative expenses. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities. Although the Company has been successful at raising funds in the past through the issuance of share capital, there can be no assurance that it will continue to be able to do so in the future. There were no changes in the Company's approach to capital management during the period ended March 31, 2022. The Company is not subject to externally imposed capital requirements.

## **9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **Financial Instruments**

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### *Fair Value Hierarchy*

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Applies to assets or liabilities for which there are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
- Level 3 – Applies to assets or liabilities for which there is no unobservable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value of cash and cash equivalents is measured using level 1 fair value inputs. Accounts payable and accrued liabilities, loans payable and due to related parties approximate their carrying values due to the short-term nature of these instruments.

### **Risk Management**

The Company's financial instruments are exposed to certain financial risks which are in common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. The following note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

#### **General Objectives, Policies**

The Board of Directors have overall responsibility for the determination of the Company's risk management objectives and policies and have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors are kept apprised on the process and would monitor the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

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The Company's risk exposures and the impact on the Company's financial statements are summarized below:

*Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by holding its cash with major financial institutions.

*Interest rate risk*

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk the Company will realize such as a loss is limited because the loans payable bear interest at fixed rates.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

**10. SEGMENTED INFORMATION**

The Company primarily operates in one reportable operating segment, being the acquisition and development of exploration and evaluation assets in Canada.

**11. FLOW-THROUGH SHARE PREMIUM LIABILITY**

A summary of the changes in the Company's flow-through share premium liability is as follows:

<b>Flow-Through Share Premium Liability</b>	<b>March 31, 2022</b>	December 31, 2021
	\$	\$
<b>Opening balance</b>	<b>97,126</b>	-
Flow-through share premium on the issuance of flow-through common share units	-	382,817
Settlement of flow-through share premium liability on expenditures incurred	<b>(94,072)</b>	(285,691)
<b>Ending balance</b>	<b>3,054</b>	97,126

**12. SUBSEQUENT EVENTS**

On April 19, 2022, 275,000 units, each unit consists of one common share and one half (1/2) common share purchase warrants were issued pursuant to the option agreement of Stony Caldera (Note 4).